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CHAIRMAN BUYER'S OPENING STATEMENT MILITARY PERSONNEL SUBCOMMITTEE HEARING DEFENSE HEALTH PROGRAM SHORTFALL

September 24, 1998

Today the Subcommittee will hear testimony on the adequacy of the Defense Health Program budget for fiscal year 1999, which the committee recently learned is substantially underfunded.

The Department of Defense operates one of the nation's largest health care systems, maintaining the health of 1.6 million active-duty service members and providing health care services to an additional 6.6 million military beneficiaries, including active-duty families, and military retirees and their dependents. This health care system is consistently rated as a top quality of life benefit by our military services members and retirees.

The Administration's funding of the Defense Health Program has long been of concern to this committee. In the Defense Authorization Act for Fiscal Year 1997, the committee added nearly half a billion dollars to the DHP after discovering that it was underfunded by nearly that amount. In doing so, the committee expressed concern that the Department not view the Defense Health Program as a potential source of funding for other under-funded programs and urged the Secretary of Defense to ensure that the DHP was fully funded in fiscal year 1998.

Despite the committee's urging, the President's budget request for fiscal year 1998 did not provide full funding for the Defense Health Program. The General Accounting Office estimated the FY 1998 shortfall was between \$424 million and \$471 million. When questioned about this shortfall at last year's full committee posture hearing, then-DOD comptroller Dr. John Hamre stated that he was "shocked" when he learned about claims that the DHP was not fully funded, and he agreed to

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investigate the issue further. He later submitted a budget amendment to add \$274 million to the Defense Health Program – an amount significantly lower than the GAO’s estimate of well-over \$400 million – and he assured the committee that “this problem will never happen again.”

This year when we received the President’s budget request for fiscal year 1999, we were very pleased to hear DOD announce that it provided full funding for the Defense Health Program. In fact, at a Military Personnel Subcommittee hearing on February 26, the written testimony of then-Acting Assistant Secretary of Defense for Health Affairs Dr. Ed Martin stated that: “The medical portion of the President’s Budget... represents fully-funded core programs of the DHP.”

Unfortunately, within the last couple of weeks, information has begun to surface to indicate that the “fully-funded DHP” is, in reality, substantially underfunded. However, the exact amount of the 1999 shortfall is unclear. Reports from the services indicate the shortfall could be as much as \$613 million, while representatives from the Department are vague on the amount of underfunding, but contend it is much less than the amount identified by the services.

The committee has learned that the Department plans to provide the services with some money to offset the shortfall, but that the amount probably will be substantially less than the amount the services say they need. As a result, the services will have to “find” the rest of the money from elsewhere in their service budgets. At a time when the services are struggling with gaping holes in readiness and training due to funding and manpower shortages, this approach to “fix” the DHP shortfall, if true, is unacceptable.

The committee is extremely disappointed to learn of these funding problems in the 1999 Defense Health Program budget and continues to believe that the Administration’s consistent underfunding of the DHP indicates a serious lack of commitment to a top quality of life benefit.

The purpose of this hearing is to determine the true extent of the fiscal year 1999 shortfall, and to assess its impact on the military health benefit. Additionally, the committee hopes to learn about the actions being taken by the Department to correct this shortfall, as well as to ensure that these actions do not hurt other service programs related to readiness and training.